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# AICPA *Washington Report*

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## COMMERCE, DEPARTMENT OF

Proposed rules amending the standards for maritime vessel operators to declare dividends appeared in the 1/9/78 Fed. Reg., pp. 1363-68. The new rules reduce the working capital requirements, establish new reporting requirements and substitute revised financial requirements. Comments are due by 2/15/78. For additional information contact Murray A. Bloom at 202/377-4631.

Public comments are being solicited on proposed regulations on the filing of boycott reports (see 12/30/77 Fed. Reg., pp. 65592-98). In particular, comments are being sought on the time for filing boycott reports and the feasibility of multiple transaction reporting. Comments are requested by 1/30/78. For further information, contact Vincent J. Rocque at 202/377-5301.

## COMMODITY FUTURES TRADING COMMISSION

A revised form for reporting changes in registration information has been adopted by the Commission (see 1/9/78 Fed. Reg., pp. 1323-26). The revised 3-R form, which becomes effective on 1/16/78, will allow futures merchants, brokers, trading advisors and associated persons to file one form for changes from their registration statements.

## COST ACCOUNTING STANDARDS BOARD

"Progress Report to the Congress 1977" is now available. The report is prepared annually by the Board to inform the Congress of its activities and achievements during the past year. The current volume provides a brief history of the CASB, a section on the major rules and regulations promulgated by the Board, and reports on the effectiveness of Board promulgations. Copies of the report are available from the CASB by calling 202/275-6111.

## FEDERAL RESERVE BOARD

A survey of banking practices concerning bank stock loans, overdrafts and correspondent accounts is being taken by the staff of the House Banking Financial Institutions Subcommittee. The data may provide impetus to continue work on HR 9600, the major bank reform bill sponsored by the Subcommittee Chairman, Rep. St. Germain (D-RI).

The staff study involves three different types of data collection. Subcommittee staff members have interviewed officers and examiners at the regional offices of the three bank regulators on a broad spectrum of questions covering not only bank practices, but also bank regulatory practices. In addition, the regional examiners have been asked to review recent examinations and provide data on a variety of banking practices. Finally, the agencies were asked to review a 10 percent sample of examination reports and provide details on items cited by examiners, including insider loans, overdrafts, all violations of law enforcement agreements and cease and desist orders, and classified loans.

## FEDERAL TRADE COMMISSION

The FTC has ruled that it is unlawful for savings and loan associations to have interlocking directorates with competing financial institutions. The ruling, made in connection with a case involving a Washington, D.C. savings and loan

institution, states that such interlocking directorates are a per se violation of the FTC Act because they violate the policy of the Clayton Antitrust Act which prohibits interlocking directorates among competitive organizations. The Commission also held that "evidence of an adverse effect on competition is not necessary to find a violation" of the rule.

#### INTERSTATE COMMERCE COMMISSION

Proposed rules on accounting regulations for reporting transfers of cash and other assets to railroads and bus companies from Federal, state or local governments appeared in the 1/9/78 Fed. Reg., pp. 1371-76. The rules will provide proper accounting and reporting of transfers to avoid misrepresentation on financial statements of subsidies given by governments. Comments are due by 1/31/78. For more information, contact James Thomas at 202/275-7565.

A proposed revision to the Railroad Annual Report Forms R-18 and R-2 appeared in the 1/9/78 Fed. Reg., p. 1376. Major revisions include consolidated reporting, materiality standards, elimination of certain schedules, corporate disclosure and aligning reporting requirements with generally accepted accounting principles. Comments are requested by 2/17/78. For more information contact Andrew Lee at 202/275-7206.

The Commission has published three restatements of standards for rail carrier accounting (see 1/11/78 Fed. Reg., pp.1692-1755). All three are attempts to conform with the uniform system of accounts, and became effective on 1/1/78. The first restatement deals with regional subsidy standards, the second covers commuter standards, and the third concerns branch line accounting system regulations. Comments are due by 1/31/78.

#### OFFICE OF MANAGEMENT AND BUDGET

The Senate Governmental Affairs Committee has issued a report on regulatory reform concluding that the independence of government regulatory agencies could be strengthened if those agencies were allowed to send their legislative and budget requests directly to Congress without prior submission to OMB. The report, which was part of a two-year study of the federal regulatory process, also states that agencies should be allowed to conduct and control their own court cases, independent of the Justice Department. Other recommendations include an end to "promotional, development and benefit-granting activities" being assigned to regulatory agencies, and the consolidation of the Office of Comptroller of the Currency, FDIC, and the FRB into one agency to end the current process whereby the regulated organization can select its regulator.

#### PENSION BENEFIT GUARANTY CORPORATION

A final rule concerning PBGC early retirement benefits for a participant who had not retired before his plan terminated appeared in the 1/9/78 Fed. Reg., pp. 1334-35.

The Corporation also published a proposed rule that would allow them to guarantee a plan benefit that returns mandatory employee contributions if the participant dies or pay the participant in a terminatory pension plan in a single installment if the participant elects. Comments on this proposal are requested by 2/23/78. (See 1/9/78 Fed. Reg., pp. 1358-62).

#### RENEGOTIATION BOARD

The 1977 Annual Report of the Board is now available. It includes sections dealing with the purpose and process of renegotiation, changes in regulation during the past year, changes in organizational and operating procedures, and information on the Board's filings, processing and backlog. Copies of the report may be obtained from the Board by calling 202/254-7018 or 7019.

#### SECURITIES AND EXCHANGE COMMISSION

The SEC has appointed three new special counsels in the Division of Corporation Finance based upon recommendations by the Advisory Committee on Corporate Disclosure. John Huber will have responsibility for disclosure requirements under the Williams Act. Paul Belvin will be concerned with disclosure of non-financial portions of reports filed under the Securities Act and the Exchange Act. Michael Rogan will have responsibility for disclosure projects based on recommendations made by the Advisory Committee on Corporate Disclosure.

The SEC has issued ASR 237, Marketable Securities and Other Securities Investments. The rules, effective for financial statements for fiscal years ending after 12/24/77, clarify the method of cross-reference required between two issuers and state that all securities of the U.S. Government and its agencies may be grouped together and shown as a single item.

#### TREASURY, DEPARTMENT OF

The IRS has released a manual supplement with revising instructions for handling tax shelter cases. The supplement, which is used by IRS agents, contains new guidelines and procedures of the IRS tax shelter program. The program will investigate oil and gas drilling funds, farm operations, real estate, motion pictures, coal, master recordings and other industry shelters used by promoters and investors. The program cases generally involve examinations of limited partnerships, small business corporations, syndicated investment units and other entities with an unresolved tax shelter issue.

Anyone wishing to receive one free copy of the manual supplement may do so by contacting the AICPA Washington Office (202/872-8190, ext. 47) prior to 1/25/78 and requesting Document 47-1.

Douglas Ward, CPA, has been named to head the new Bank Accounting Division of the Office of Comptroller of the Currency. Ward, a member of the AICPA and the Colorado Society of CPAs, will direct the new division that will provide bank accounting and expertise to bank officials.

The Senate Finance Subcommittee on Taxation has scheduled hearings on various tuition tax credit bills on 1/18, 1/19 and 1/20. In addition, a hearing will be held on 1/20/78 on bills to provide that education aid given to employees will not be considered as taxable income. For more information contact Michael Stern, Staff Director, Committee on Finance (202/224-4515).

IRS has announced that the Carter Administration has decided to stop plans to develop a nationwide computer for monitoring the tax records of individuals and corporations. The computer system had been the subject of congressional objection for several years because of the potential threat to privacy. IRS had argued that the computer would increase efficiency and allow faster audits.

The Comptroller of the Currency has issued proposed rules dealing with loans to foreign governments, their agencies and instrumentalities. (See 11/12/78 Fed. Reg., pp. 1800-01.) The proposed rules require financial statements for the borrowing entity for three years prior to making the loan, a financial statement for each year the loan is outstanding and the bank's assessment of the borrower's means of servicing the loan including present and projected economic and financial performance of the borrower.

The tax legislation timetable is beginning to take shape. The President's 1979 budget will be presented to Congress on January 21, and it will contain "hints" as to the tax needs for the coming year. The plan is to hold hearings early in the session - probably late January or early February at which time Treasury officials will present the Administration's proposals. Then there will be about a three week interval before public witnesses are heard. This is the approach Ways and Means Committee Chairman Ullman wants to take.

The American Bankers Association has asked IRS Commissioner Kurtz not to apply the minimum deduction rules in tax year 1977 to reserves for losses of banks. The ABA points out that commercial banks are currently preparing their tax returns for 1977 and their accounting firms need to know whether to tax the deduction. A final decision has been delayed because the Treasury and the IRS have not been able to agree but Treasury officials agree the Department must provide taxpayers and CPA firms with guidance.

#### UNITED STATES POSTAL SERVICE

The Postal Service has adopted new rules which allow a business to collect refunds for prepaid envelopes that are returned with a 13¢ stamp (see 1/11/78 Fed. Reg., pp. 1619-21). The rules will make processing business return mail uniform at all post offices.

#### SPECIAL: Senator Metcalf Dies

Senator Lee Metcalf, the senior Senator from Montana, died last week at the age of 66. Senator Metcalf came to the U.S. Congress in 1953 and served 4 terms in the House before being elected to the U.S. Senate in 1960. He had recently announced that he would not stand for re-election when his term expired this next year. Senator Metcalf was playing an active part in the development of a national energy policy and was serving on the conference committee that was working out the House and Senate differences in the President's energy bill.

His inquiry this past year into the activities of the accounting profession caused considerable debate among CPAs and resulted in a number of positive steps to strengthen the role of the independent public accountant.

On Thursday of last week, the day of his death, the Chief Counsel for his Subcommittee, E. Winslow Turner, was addressing a group of government accountants in Washington on the topic of "where do we go from here." In answer to that, and to the Senator's credit, a number of initiatives have already been taken by the accounting profession as an organized body, as well as steps taken by individual firms and practices to carry out many of the suggestions brought out in the course of hearings before the Metcalf Subcommittee. There should be little doubt that progress in the directions already begun will continue.

SPECIAL: House hearings on accounting profession appear firm for Jan. 30-31.

Hearings before the House Subcommittee on Oversight and Investigations, chaired by Congressman John E. Moss (D.Calif.) are quite firm, pending formal announcement to the rest of the Subcommittee members when Congress reconvenes January 19. The hearings will focus on the profession's ability to achieve self regulation and the recent actions that have been taken within its structure to satisfy congressional concern. It's clear that if the critics are not satisfied with the progress and outlook for improvements that federal legislation will be offered to regulate the conduct and practice of CPAs.

SPECIAL: ACIR Report on Block Grants

The Advisory Committee on Intergovernmental Relations has issued the eleventh in its thirteen-volume series of reports on the intergovernmental grant system. "Block Grants: A Comparative Analysis" compares and analyses activities under the health, crime control, manpower, and community development block grant programs. The report explores the design and implementation of block grants and the implication for policymakers interested in grant reform. Copies of this report are available by calling 202/633-7063.

For further information call:  
Susan Retter/Steven Woolf  
202/872-8190

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1620 Eye Street, N.W., Washington, D.C. 20006

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